

SENATE BILL REPORT

ESHB 1649

As Reported By Senate Committee On:
Ways & Means, April 2, 2007

Title: An act relating to purchasing an increased benefit multiplier for past judicial service for judges in the public employees' retirement system and the teachers' retirement system.

Brief Description: Authorizing the purchase of an increased benefit multiplier for past judicial service for judges in the public employees' retirement system and the teachers' retirement system.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Fromhold, Conway, Bailey, Crouse, Sells, Moeller and Simpson).

Brief History: Passed House: 3/12/07, 95-0.

Committee Activity: Ways & Means: 4/02/07 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Erik Sund (786-7454)

Background: Since July 1, 1988, newly elected or appointed judges and justices have become members of the Public Employees' Retirement System (PERS) Plan 2. Since March 1, 2002, judges and justices without previously established PERS membership have had the choice to enter PERS Plan 2 or Plan 3.

The PERS Plan 2 provides most members with an unreduced benefit of 2 percent of average final compensation for each year of service credit earned at age 65. The PERS Plan 3 provides most members with an unreduced benefit of 1 percent per year of service credit earned at age 65, plus an individual member account of accumulated employee contributions plus investment earnings. A general member of PERS Plan 2 or 3 may include any number of years of service towards the 2 percent or 1 percent formula in calculating his or her retirement benefit.

State-employed justices and judges, including those on the Washington Supreme Court, Courts of Appeals, and Superior Courts, also participate in a supplemental defined contribution program called the Judicial Retirement Account (JRA). The JRA was established

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in 1988, and members and employers each contribute 2.5 percent of pay to an individual member account. Distribution of the JRA is available to the member upon retirement as a lump-sum or in other payment forms as made available by the administering agency, the Administrator of the Courts.

Between 1937 and 1971, judges participated in the Judges' Retirement Plan and, between 1971 and 1988, the Judicial Retirement System. Both plans offered a benefit capped at 75 percent of pay that could be accrued after approximately 21.5 years of service. Both systems are funded on a pay-as-you go basis, with member contributions between 6.5 percent and 7.5 percent of pay and state contributions averaging in excess of 40 percent of pay. Judges who established membership in PERS Plan 1 prior to October 1, 1977, and who became judges after the closure of the Judicial Retirement System in 1988, remain members of PERS Plan 1.

The 2006 Legislature increased the required contribution rates for new judges in PERS and the Teachers' Retirement System (TRS), ceased contributions to the JRA, and increased the annual multiplier to 3.5 percent of pay per year of judicial service for members of Plan 1 or Plan 2, and to 1.6 percent of pay per year of service for members of Plan 3. Members serving as justices or judges at the effective date of the 2006 act were given the option of increasing member contributions and moving to the higher annual multipliers, or continuing participation in the JRA. A maximum benefit of 75 percent of pay was placed on justices and judges using the higher yearly multiplier formulas.

In addition to providing for a higher multiplier for future service in exchange for higher contribution rates, judges could also purchase the higher multiplier for past years of judicial service earned at the 2 percent or 1 percent per year of service formulas. A judge electing to purchase or improve past years of service is required to pay the actuarially equivalent value of the increase in the member's benefit resulting from the increase in the benefit multiplier.

Summary of Engrossed Substitute Bill: The cost to an individual judge for the purchase of up to 70 percent of past judicial service in the PERS and TRS system between the effective date of the bill and December 31, 2007, is reduced from the actuarial value of the increase in the member's benefit to 5 percent of the salary earned for each month of service being purchased, plus interest for a member of Plan 1 or Plan 2, or 2.5 percent of the salary earned, plus interest for a member of Plan 3. For purchases made after December 31, 2007, the judge must pay the actuarial value of the increase in the member's benefit. Judges who purchased the increased multiplier at higher costs before July 1, 2007, may apply between the effective date of the act and December 31, 2007, to have the difference in cost under the new formula recalculated, and have the difference reimbursed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill will improve the fairness with which judges are treated within the state retirement systems without impacting contribution rates.

Persons Testifying: PRO: Tom Parker, Superior Court Judges' Association.